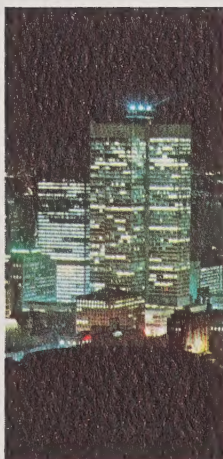


*THE **OSHAWA** WHOLESALE LIMITED*

ANNUAL REPORT  
FOR THE  
FISCAL YEAR ENDED  
JANUARY 24, 1970





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## YEAR OF GROWTH

	January 24 1970	January 25 1969	% Change
Sales . . . . .	\$445,175,000	\$298,684,000	+49.0
Net Earnings . . . . .	\$7,508,000	\$5,791,000	+29.7
Net Earnings Excluding Extra- ordinary Income . . . . .	\$7,039,000	\$5,260,000	+33.8
Net Earnings Per Share * . . . .	\$1.08	\$1.03	+ 4.7
Net Earnings Per Share Exclud- ing Extraordinary Income . . .	\$1.01	.94	+ 8.1
Shares * . . . . .	6,942,502	5,609,276	+23.8
Dividends Paid . . . . .	\$1,528,000	\$1,020,000	+49.8
Dividends Paid Per Share . . . .	22¢	18¢	+22.2
Number of Stores at Year End			
IGA . . . . .	303	201	
Food City and MiniPrix . . . .	35	24	
Cash and Carry Food Ware- houses . . . . .	6	—	
Department Stores . . . . .	28	26	
Pharmacies . . . . .	28	27	
Stripe (Health and Beauty Aid) . . . . .	20	11	
Restaurants and Snack Bars	44	42	

\*Weighted average of combined Class "A" and Common Shares outstanding.

Cover Photos:

Skylines of Toronto, Montreal and Halifax, the three major centres of Oshawa's Canadian operations.



## PRESIDENT'S REPORT

By any normal standards, 1969 was a year of significant achievement for The Oshawa Wholesale Limited, with sales, assets, earnings, and earnings per share all reaching record levels. But perhaps the most important accomplishment in 1969 was the progress in integrating recently-acquired subsidiaries and in building a sound base for future growth.

From 1967 to 1969, Oshawa's sales rose 88% from \$237 million to \$445 million. A major part of this increase came from the acquisition of companies in the same or related fields. Oshawa now offers an ever-growing range of consumer goods and services in Ontario, Quebec and the Maritime Provinces.

A great deal of time, thought and energy was expended in the past year in planning to maximize the profit potential of the new subsidiaries and in determining priorities for the optimum allocation of Oshawa's financial and human resources. Concurrently, intercorporate relationships, financial controls, uniform reporting procedures, and methods for utilizing the best brains and talents were intensively studied and are rapidly being implemented.

With four major divisions, numerous profit centres, and over seven thousand regular employees, emphasis on corporate philosophies, goals, structures and operations has been mandatory and future results will reflect these efforts.

*La version en français  
de ce rapport sera envoyée  
sur demande.*



The dominant economic development in 1969 was the federal government's efforts to stem inflation. Concern over the rising cost of living also preoccupied the consumer and was reflected in the retail food industry by unusually intense competition which, coupled with rising expenses, depressed profit margins.

Oshawa was not immune to this trend, and earnings in the retail food division were lower than originally projected. Nonetheless, the Company continued to increase its market share, underlining the inherent soundness of the IGA and Food City programs.

Earnings in the Towers division were also below potential because rapid expansion necessitated new control procedures (many of which are now computerized) and because of non-recurring costs arising from a change in merchandising philosophy. This involved upgrading of many merchandise lines, rearrangement of store layouts and abnormal markdowns both at year end and in the first quarter of 1970. These moves should contribute to improved results later this year.

The 1969 store expansion program is described later in this report. Equally impressive plans were prepared for 1970 and 1971 and sites for this purpose are either owned or controlled. However, because of current high interest rates, Company-owned shopping centre developments have been limited temporarily to those now under construction. The retail division should benefit from the maturing of recently opened units and a reduction in pre-opening expenses.

Oshawa's development and expansion program frequently provides opportunities with unusual potential. Two such investments are Systems Construction (Ontario) Ltd. and Sudbury City Centre, both of which are described under "Year in Review".

While the outlook for the economy in 1970 is uncertain, Oshawa's sales and earnings are expected to be higher. Earnings in the first quarter however, will show little improvement over 1969.

In this, the year of our greatest growth, it is a particular pleasure to record sincere appreciation to customers, employees, shareholders and suppliers for their continued support.

On behalf of the Board of Directors

RAY D. WOLFE,  
President.

Toronto, May 4, 1970

## YEAR IN REVIEW

### Sales — Increase 49.0%

Sales growth in 1969 was the greatest in the Company's history. Consolidated sales were \$445,175,000, up \$146,491,000 or 49.0% from \$298,684,000 in 1968. A contributing factor was the inclusion for the full year of sales of companies acquired during 1968 and of Shop & Save (1957) Ltd., acquired January 31, 1969. To facilitate comparison, last year's figures are restated to include consolidated sales of E. W. Hickeson & Co. Limited carrying on business as Hickeson-Langs Supply Company, from March 29, 1969.

### Net Earnings — Increase 29.7%

Consolidated net earnings reached a record \$7,508,000, an increase of \$1,717,000 or 29.7% over \$5,791,000 in the preceding year, restated to include the consolidated earnings of E. W. Hickeson & Co. Limited. Extraordinary income, consisting of profit on sale of stores, properties and investments (less income taxes thereon) and income tax reductions, amounted to \$469,000 as compared with \$531,000 in 1968. Earnings excluding extraordinary income were \$7,039,000, up 33.8% from \$5,260,000. Earnings per combined Class "A" and Common share rose 4.7% from a restated \$1.03 to \$1.08, based on the average number of shares outstanding in each year. Earnings before extraordinary income amounted to \$1.01 per share, up 8.1% from a restated \$0.94 in the previous year.

### Dividends Increased

Dividends paid in 1969 amounted to 22¢ per share. This rate has since been increased 13.6% to 25¢ per share, the tenth consecutive dividend increase since 1960.

*An IGA community service: Grade 12 home economics students observe a meat cutting demonstration in Spryfield IGA near Halifax.*





### **Working Capital**

Working capital at January 24, 1970 amounted to \$8,547,000, as compared with \$9,787,000 at January 25, 1969. Reflecting record expansion, net additions to fixed assets amounted to \$23.5 million, of which \$7.7 million resulted from the consolidation of newly-acquired subsidiaries. Other factors which affected working capital are shown in detail in the Consolidated Statement of Source and Use of Funds on Page 11.

### **Capital Structure**

To facilitate future acquisitions through share exchanges, Supplementary Letters Patent were obtained on September 26, 1969, increasing the authorized capital of the Company to 12,200,000 Class "A" shares by creating an additional 3,800,000 Class "A" shares and reclassifying 200,000 issued Common shares. During the fiscal year the Company issued 710,478 Class "A" shares for a total consideration of \$26,580,000. At year end, 6,971,029 Class "A" and Common shares were issued and outstanding. 303,554 Series A warrants to purchase Class "A" shares were also issued during the year, bringing the total outstanding to 630,063.

### **Internal Growth**

The 1969 expansion program was the most extensive and diverse in the Company's history.

In Ontario, seven Food City food markets were opened bringing the chain total to 30, and five stores modernized. Ten IGA units were expanded or remodelled and five small stores closed.

In Quebec, one MiniPrix discount supermarket was opened during the year and three IGA units converted to MiniPrix. Following the successful Ontario pattern, the sale of Company-operated IGA stores to franchised dealers was recently instituted in Quebec.

This expansion of the IGA program should materially strengthen the Shop & Save operation.

Two new franchised IGA stores were opened in Nova Scotia.

Towers Discount Department Stores were opened in Brantford and Oakville, Ontario, and three units extensively remodelled. The first Towers store in Nova Scotia will open in May in New Minas. Three Montreal stores are being rebuilt and refurbished.

Rockower of Canada Limited and Kent Drugs Limited operate departments in each of the new Towers stores. Kent opened nine Stripe health and beauty aid stores in 1969, bringing the chain total to 20.

In June, the first Food City-Drug City combination unit will open in Cooksville, Ontario. Drug City is a large supermarket-type drug store incorporating a pharmacy and carrying a wide range of health and beauty aids and related merchandise.

### **Systems Construction (Ontario) Ltd.**

Oshawa recently participated in the formation of a new company, Systems Construction (Ontario) Ltd., to manufacture and erect pre-cast concrete modular building units. Oshawa owns 66⅔% of the new company.

Systems Construction will introduce to Canada a



*Yorkdale Holiday Inn, first building to be erected in Canada utilizing unique construction method introduced by Oshawa subsidiary, Systems Construction (Ontario) Ltd.*



*Sudbury City Centre, an \$11.3 million federal-provincial-municipal downtown Sudbury redevelopment by Marchland Holdings Limited which is 50% owned by Oshawa.*





*New Minas Country Garden Towers and IGA shopping complex in Nova Scotia's Annapolis Valley, while under construction.*



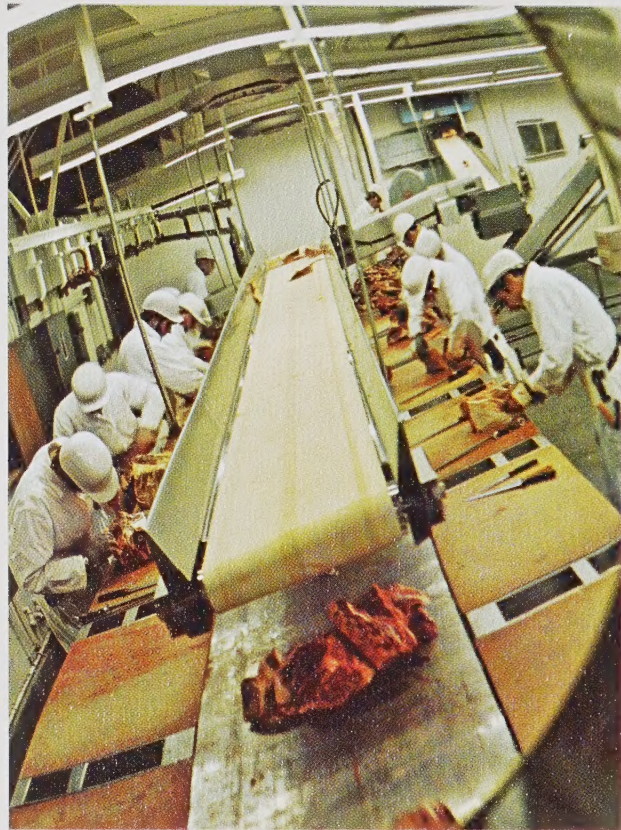
unique system (developed in the United States) whereby room units are manufactured in a factory and can be equipped, decorated, and furnished prior to erection on-site. The system has widespread application, particularly in the building of town houses, apartments, hotels, and similar structures. Its principal advantage over conventional building is that it greatly reduces construction time yet is very competitive in cost.

A 62,000-square-foot plant in Milton, Ontario, is scheduled to commence operations in May. The plant has a capacity of 1,000 units per year and can be expanded at moderate cost to 1,500 units per year.

The first project to be undertaken by Systems Construction is the 252-room Yorkdale Holiday Inn in Toronto.

Much attention has been focused on the sharp escalation in building costs in recent years. A breakthrough is required if the serious social need for low-cost housing is to be met. We believe this innovative system is a major step in this direction and will be a rewarding investment.





*Oshawa's Central Meat Distribution Centre near Hamilton, Ontario, has cut costs and improved efficiency.*

### **Sudbury City Centre**

Marchland Holdings Limited, 50% owned by Oshawa, is currently developing a major commercial complex — the \$11.3 million Sudbury City Centre — in the heart of downtown Sudbury. City Centre is the commercial section of the Borgia Urban Renewal Plan, a joint undertaking of the municipal, provincial and federal governments.

The 720,000-square-foot development includes a 150-room Holiday Inn, a 750-car parking garage, offices, theatre, and an enclosed mall shopping centre of approximately 40 retail and related service outlets. The major retail stores will be a 130,000-square-foot Towers department store, a 25,000-square-foot Food City market and a 12,000-square-foot Drug City unit. Provision has been made in the design for a further 325,000 square feet of commercial and office space when warranted.

Sudbury City Centre will give Oshawa three major stores in a strategic downtown development in an excellent retail market. The hotel is expected to be completed by September, 1970, and the balance of the project by August, 1971.

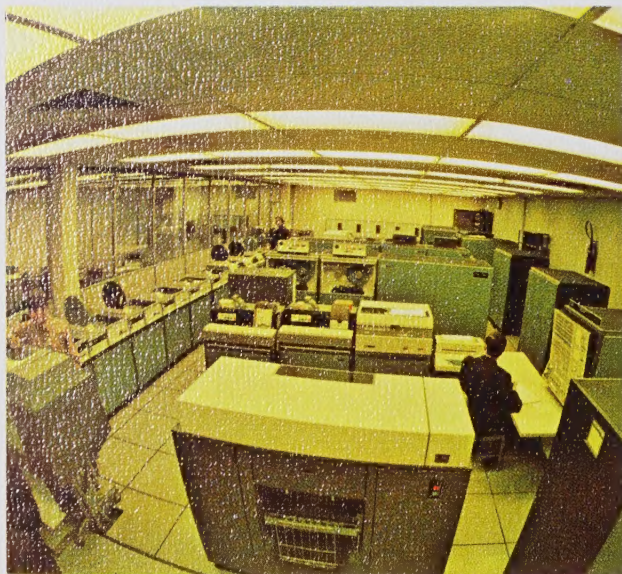
### **Central Meat Distribution Centre**

Started in 1968 as a pilot operation, the Central Meat Distribution Centre was expanded during the year to serve all Food City markets and Company-operated IGA stores and a growing number of dealer stores in Ontario. This plant receives sides of beef which are broken into sub-primal and counter-ready cuts, packaged in cryovac and distributed to the stores.

The principal advantages are improved quality control, reduced shrinkage and lower operating costs. The new plant also eliminates the need for heavy equipment at retail level, reduces labor requirements and improves inventory control and customer service.



*Multi-programming and round-the-clock use of Oshawa's IBM System 360 /40 and System 360 /30 computers play a key role in efficiency of Oshawa operations.*



#### **Electronic Data Processing**

An important factor in Oshawa's growth has been its utilization of advanced data processing. The central facility in Toronto services several divisions using an IBM System 360 Model 40, installed during 1969, and a System 360/30. These operate on a three-shift, around-the-clock basis and through multi-programming can handle three jobs simultaneously.

The Shop & Save division uses a System 360/30 installed in 1968 and during the year expanded the number and scope of computer applications.



**THE OSHAWA WHOLESALE LIMITED AND SUBSIDIARY  
COMPANIES**

**FINANCIAL FOLIO**

**AUDITORS' REPORT TO THE SHAREHOLDERS**

We have examined the consolidated balance sheet of The Oshawa Wholesale Limited and its subsidiary companies as at January 24, 1970, and the consolidated statements of earnings, retained earnings, and source and use of funds for the year then ended. Our examination of the financial statements of The Oshawa Wholesale Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at January 24, 1970 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year (as restated-Notes 1 and 3), except for the change referred to in Note 2 to the consolidated financial statements with which change we concur.

Toronto, Ontario      WM. EISENBERG & CO.  
March 31, 1970      Chartered Accountants



THE OSHAWA WHOLESALE LIMITED AND SUBSIDIARY COMPANIES  
**CONSOLIDATED STATEMENT OF EARNINGS**

	Year Ended		% Change
	January 24, 1970 (in thousands of dollars)	January 25, 1969	
SALES.....	\$ 445,175	\$ 298,684	+49.0
COST OF SALES AND EXPENSES			
Cost of sales and operating and administrative expenses.....	424,137	283,093	+49.8
Interest on long term debt.....	637	715	-10.9
Salaries of directors and senior officers.....	375	364	+ 3.0
Amortization of store and equipment rentals (Note 5).....	551	548	+ 0.5
Depreciation (Note 6).....	4,510	2,995	+50.6
	<u>430,210</u>	<u>287,715</u>	+49.5
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY INCOME.....	14,965	10,969	+36.4
Income taxes.....	7,926	5,709	+38.8
EARNINGS BEFORE EXTRAORDINARY INCOME.....	<u>7,039</u>	<u>5,260</u>	+33.8
Extraordinary income (Note 3).....	469	531	-11.7
NET EARNINGS.....	<u>\$ 7,508</u>	<u>\$ 5,791</u>	+29.7
EARNINGS PER SHARE BEFORE EXTRAORDINARY INCOME.....	\$1.01 <sup>4</sup> / <sub>10</sub>	\$ .93 <sup>8</sup> / <sub>10</sub>	+ 8.1
EARNINGS PER SHARE.....	\$1.08 <sup>1</sup> / <sub>10</sub>	\$1.03 <sup>2</sup> / <sub>10</sub>	+ 4.7
AVERAGE NUMBER OF SHARES OUTSTANDING.....	6,942,502	5,609,276	+23.8

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

	Year Ended	
	January 24, 1970 (in thousands of dollars)	January 25, 1969
RETAINED EARNINGS AT BEGINNING OF YEAR AS PREVIOUSLY REPORTED.....	\$17,333	\$12,817
Add: Net earnings of a subsidiary not previously consolidated (Note 1).....	255	—
	<u>17,588</u>	<u>12,817</u>
Deduct: Adjustment of income taxes of prior years.....	115	115
RETAINED EARNINGS AT BEGINNING OF YEAR AS RESTATED.....	<u>17,473</u>	<u>12,702</u>
Add: Net earnings for year.....	7,508	5,791
	<u>24,981</u>	<u>18,493</u>
Deduct:		
Dividends Class "A" Shares.....	1,457	953
Dividends Common Shares.....	71	67
	<u>1,528</u>	<u>1,020</u>
RETAINED EARNINGS AT END OF YEAR.....	<u>\$23,453</u>	<u>\$17,473</u>



THE OSHAWA WHOLESALE LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

	Year Ended	
	January 24, 1970	January 25, 1969
	(in thousands of dollars)	
SOURCE OF FUNDS		
<i>Operations</i>		
Net earnings for year	\$ 7,508	\$ 5,791
Charges not requiring cash outlays		
Depreciation	4,510	2,995
Amortization of store and equipment rentals	551	548
Deferred income taxes	629	35
TOTAL FUNDS FROM OPERATIONS	13,198	9,369
<i>Other</i>		
Issue of Class "A" Shares	26,580	21,636
Increase in long term debt	1,013	—
Deferred income taxes assumed on acquisition of subsidiary	816	—
Increase in minority interest in subsidiaries	—	50
	41,607	31,055
USE OF FUNDS		
Purchase of land, buildings, equipment and leasehold improvements less disposals	23,479	11,698
Increase in excess of carrying value of shares in subsidiaries over net book value of underlying assets	15,825	13,192
Increase in loans and mortgages receivable	787	1,902
Increase in investments	459	604
Deferred store and equipment rentals	375	610
Increase in cash surrender value of life insurance	12	122
Reduction of 5½% Subordinated Convertible Sinking Fund Debentures	308	3,179
Reduction of long term debt	—	161
Reduction of minority interest in subsidiaries	74	—
Dividends to shareholders	1,528	1,020
Income tax adjustments of prior years	—	115
	42,847	32,603
DECREASE IN WORKING CAPITAL	(\$ 1,240)	(\$ 1,548)
Working capital at end of year	\$ 8,547	\$ 9,787
Working capital at beginning of year	9,787	11,335
DECREASE IN WORKING CAPITAL	(\$ 1,240)	(\$ 1,548)



THE OSHAWA WHOLESALE LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT JANUARY 24, 1970

ASSETS

	January 24, 1970	January 25, 1969
	(in thousands of dollars)	
<b>CURRENT ASSETS</b>		
Cash	\$ 489	\$ 391
Marketable securities (market value, 1970—\$212; 1969—\$229)	233	231
Accounts receivable (Note 4)	9,034	7,671
Loans and mortgages receivable (Note 4)	2,636	5,281
Loan to Owl Realty Limited	—	1,206
Inventories—lower of cost or market	32,145	24,226
Prepaid expenses and supplies	2,639	1,585
	<u>47,176</u>	<u>40,591</u>
<b>DEFERRED ASSETS</b>		
Loans and mortgages receivable (Note 4)	5,442	4,655
Cash surrender value of life insurance	214	202
Deferred store and equipment rentals (Note 5)	1,509	1,685
	<u>7,165</u>	<u>6,542</u>
<b>INVESTMENTS</b>		
Shares in Owl Realty Limited—cost	173	173
Other investments—cost (Note 4)	1,242	783
	<u>1,415</u>	<u>956</u>
<b>FIXED ASSETS</b>		
Land—cost (Note 2)	7,955	2,556
Buildings—cost	15,312	9,744
Fixtures and equipment—cost	28,274	19,719
Automotive equipment—cost	2,517	2,008
Leasehold improvements—cost	6,774	4,641
	<u>60,832</u>	<u>38,668</u>
Less: Accumulated depreciation (Note 6)	12,819	9,624
	<u>48,013</u>	<u>29,044</u>
<b>EXCESS OF CARRYING VALUE OF SHARES IN SUBSIDIARIES OVER NET BOOK VALUE OF UNDERLYING ASSETS (Note 10)</b>	<u>31,105</u>	<u>15,280</u>
	<u>\$134,874</u>	<u>\$92,413</u>

The accompanying notes are an integral part of the Financial Statements



## LIABILITIES AND SHAREHOLDERS' EQUITY

### CURRENT LIABILITIES

	January 24, 1970	January 25, 1969
	(in thousands of dollars)	
Bank indebtedness (Note 4)	\$ 5,465	\$ 5,363
Short term notes payable	690	—
Accounts payable and accrued liabilities	29,856	22,764
Income taxes payable	2,146	2,196
Current portion of long term debt	472	481
	<u>38,629</u>	<u>30,804</u>

### LONG TERM DEBT

Bank indebtedness (Note 4)	505	505
Notes and mortgages payable	5,478	4,474
5½% Subordinated Convertible Sinking Fund Debentures (Note 7)	4,261	4,569
	<u>10,244</u>	<u>9,548</u>
Less: Current portion	472	481
	<u>9,772</u>	<u>9,067</u>
DEFERRED INCOME TAXES (Note 8)	2,054	609
MINORITY INTEREST IN SUBSIDIARIES (Note 9)	<u>89</u>	<u>163</u>

## SHAREHOLDERS' EQUITY

### CAPITAL STOCK (Note 10)

#### Authorized

12,200,000 Class "A" non-voting Shares, without par value  
912,000 Common Shares, without par value

#### Issued

	January 24, 1970	January 25, 1969		
Class "A" Shares	6,799,653	5,889,175	60,833	34,202
Common Shares	171,376	371,376	44	95
			<u>60,877</u>	<u>34,297</u>
RETAINED EARNINGS			23,453	17,473
			<u>84,330</u>	<u>51,770</u>
			<u>\$134,874</u>	<u>\$92,413</u>

APPROVED ON BEHALF OF THE BOARD: Ray D. Wolfe, *Director*;  
William L. Atkinson, *Director*



**THE OSHAWA WHOLESALE LIMITED AND SUBSIDIARY COMPANIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT JANUARY 24, 1970**

**NOTE 1—PRINCIPLES OF CONSOLIDATION**

The Consolidated financial statements include the accounts of all subsidiary companies (except as noted below). These include the following principal subsidiaries:

Allied Towers Merchants Limited  
 Bolands Limited  
 Coinamatic Laundry Equipment Limited  
 E. W. Hickeson & Co. Limited  
 Kent Drugs Limited  
 Langs Foods Limited  
 Oshawa Properties Limited  
 Oshawa Trading Limited  
 Rockower of Canada Limited  
 Shop & Save (1957) Ltd.  
 The Ontario Produce Company Limited

The operating results of Shop & Save (1957) Ltd. have been included from January 31, 1969, the date of its acquisition.

The operating results of Graham Food Products, Limited (carrying on business as Hickeson-Langs Supply Company) a subsidiary of E. W. Hickeson & Co. Limited, have been included for the full fiscal year. On March 29, 1968, the Company acquired E. W. Hickeson & Co. Limited, which had an option to purchase the shares of Graham Food Products, Limited, paid in excess of 90% of the option price and assumed active management. The option was exercised on January 22, 1970. For comparative purposes, 1969 figures have been restated to give effect to the consolidation of this subsidiary from the date of acquisition of the option.

A subsidiary Company, Systems Construction (Ontario) Limited was not consolidated as it had not commenced active operations as at January 24, 1970.

The accounts of the foreign subsidiaries have been converted to Canadian dollars at rates of exchange prevailing at January 24, 1970, except that fixed assets, with related provisions for depreciation, have been converted at rates current at dates of acquisition.

**NOTE 2—CHANGE IN ACCOUNTING PRINCIPLES**

During the year, the Company adopted the policy of capitalizing carrying charges on land held for development. These had previously been expensed. Had this change not been made, the net earnings for the year would have been reduced by \$32,000

**NOTE 3—EXTRAORDINARY INCOME**

This consists of the following:

	January 24, 1970	January 25, 1969
Profit on sale of investments, stores and properties (less income taxes thereon— 1970—\$57,000; 1969—\$43,000).....	\$343,000	\$167,000
Income tax reductions on application of prior years' losses.....	126,000	364,000
	<u>\$469,000</u>	<u>\$531,000</u>

The earnings for the previous year have been restated to reflect this presentation.

**NOTE 4—BANK INDEBTEDNESS**

The current bank indebtedness is secured by a general assignment of book debts. The long term bank indebtedness is secured by a pledge of certain debentures held for investment purposes having a par value of U.S. \$472,000.

**NOTE 5—DEFERRED STORE AND EQUIPMENT RENTALS**

These consists of the following:

- (a) Rentals in respect of two store properties, payable over a 12-year term extending to 1975 (with an option to purchase at the completion of the term for \$1 each), which are being amortized over 25 years from the commencement of the leases.
- (b) Equipment rentals (under lease option agreements), payable over varying periods extending to the end of 1970 which are being amortized over a period of seven years.
- (c) Prepaid rentals extending to 1975 in respect of certain store locations.

**NOTE 6—DEPRECIATION**

The Company and its subsidiaries generally depreciate their fixed assets on a straight-line basis at rates appropriate to their geographic location and type of business.

**NOTE 7—5½% SUBORDINATED CONVERTIBLE SINKING FUND DEBENTURES**

The Company has outstanding \$4,261,000 of 5½% Subordinated Convertible Sinking Fund Debentures due November 15, 1986.

Annual Sinking Fund payments of \$500,000 commence November 15, 1977. Under the provisions of the Trust Deed, Debentures converted by the holders thereof shall be available to the Company as a credit against Sinking Fund payments.

The Debentures are convertible into Class "A" Shares as follows:

Up to November 15, 1976, at \$14 per share;  
 November 16, 1976 to November 15, 1981, at \$15½ per share;  
 November 16, 1981 to November 15, 1986, at \$17 per share.

**NOTE 8—DEFERRED INCOME TAXES**

For income tax purposes, the Company has claimed maximum capital cost allowances and other deductions which are in excess of the depreciation and amortization recorded in the accounts. The resulting deferred income taxes have been provided for in the accounts and may become payable in years when the depreciation and amortization recorded in the accounts are in excess of maximum capital cost allowances and other deductions.

**NOTE 9—MINORITY INTEREST IN SUBSIDIARIES**

The minority interest in the earnings of subsidiaries amounted to \$13,000 (1969—\$21,000).



#### NOTE 10—CAPITAL STOCK

On September 26, 1969, the Company obtained supplementary letters patent increasing the authorized capital of the Company to 12,200,000 non-voting Class "A" Shares without par value by

- (a) creating an additional 3,800,000 Class "A" Shares; and
- (b) reclassifying 200,000 of the issued Common Shares of the Company into 200,000 Class "A" Shares.

##### Class "A" Shares

During the year, 200,000 Common Shares were reclassified into 200,000 Class "A" Shares and 710,478 Class "A" Shares were issued for \$26,580,000 as follows:

(a)	60,340 Class "A" Shares for cash under Executive and Senior Employees' Stock Option Plans.	\$ 521,000
(b)	21,996 Class "A" Shares on the conversion of 5½% Subordinated Convertible Sinking Fund Debentures.	308,000
(c)	625,181 Class "A" Shares as partial consideration for the acquisition of shares and 6½% Convertible Sinking Fund Debentures of Shop & Save (1957) Ltd.	25,632,000
(d)	2,961 Class "A" Shares as partial consideration for the acquisition of shares of Rockower of Canada Limited from minority interests.	119,000
	<u>710,478</u>	<u>\$26,580,000</u>

The Company has reserved 403,620 Class "A" Shares for issue under stock purchase and stock option plans. As at January 24, 1970, options for 334,160 Class "A" Shares were outstanding as follows:

- (a) 78,560 Class "A" Shares under the Employee and IGA Dealer Stock Purchase Plans at \$32.40 per Class "A" Share, expiring May 15, 1972;
- (b) 255,600 Class "A" Shares under the Executive and Senior Employees' Stock Option Plans. These options are exercisable over the next five years as follows:

Option Price	Number of Class "A" Shares
\$ 7.65 to \$16.87½	15,000
\$21.82½ to \$25.65	64,900
\$27.00 to \$35.00	175,700

The Company has reserved 304,358 Class "A" Shares for conversion of the 5½% Subordinated Convertible Sinking Fund Debentures and a further 630,063 Class "A" Shares for the exercise of the Series A Warrants.

##### Series A Warrants

The Company has authorized the issue of Series A Warrants entitling the holders thereof to purchase in the aggregate 700,000 Class "A" Shares. The holder of each warrant is

entitled to purchase one Class "A" Share of The Oshawa Wholesale Limited during the undernoted periods at the undernoted prices:

From March 1, 1969 to February 28, 1974 —	\$50
From March 1, 1974 to February 28, 1975 —	\$55
From March 1, 1975 to February 29, 1976 —	\$60
From March 1, 1976 to February 28, 1977 —	\$65
From March 1, 1977 to February 28, 1978 —	\$70
From March 1, 1978 to February 28, 1979 —	\$75
The warrants expire February 28, 1979.	

During the year, 303,554 Series A Warrants were issued as follows:

- (a) 3,390 Series A Warrants as partial consideration for the acquisition of shares of Rockower of Canada Limited from minority interests.
- (b) 300,164 Series A Warrants as partial consideration for the acquisition of shares and 6½% Convertible Sinking Fund Debentures of Shop & Save (1957) Ltd.

These warrants were valued at \$3,944,000, and this amount has been written off against "Excess of Carrying Value of Shares in Subsidiaries Over Net Book Value of Underlying Assets".

As at January 24, 1970, 630,063 Series A Warrants were outstanding.

#### NOTE 11—LEASES

The minimum annual rentals payable (exclusive of taxes, insurance and other occupancy charges) under lease obligations for store locations, warehouse facilities and equipment amount to \$7,247,000.

It is expected that annual rental revenue of \$1,751,000 will be received from locations that have been sublet.

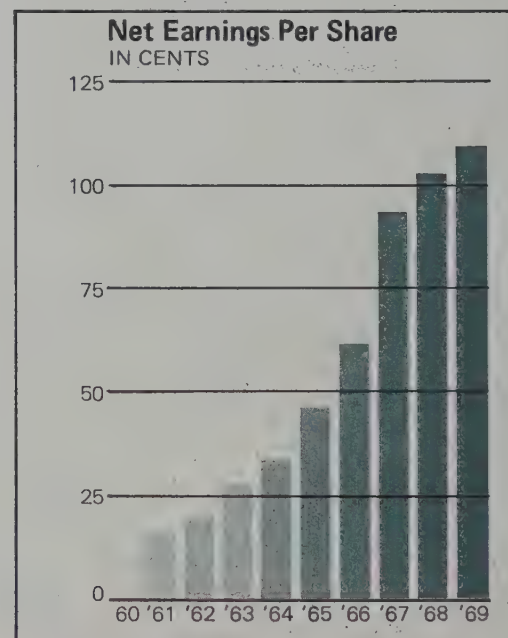
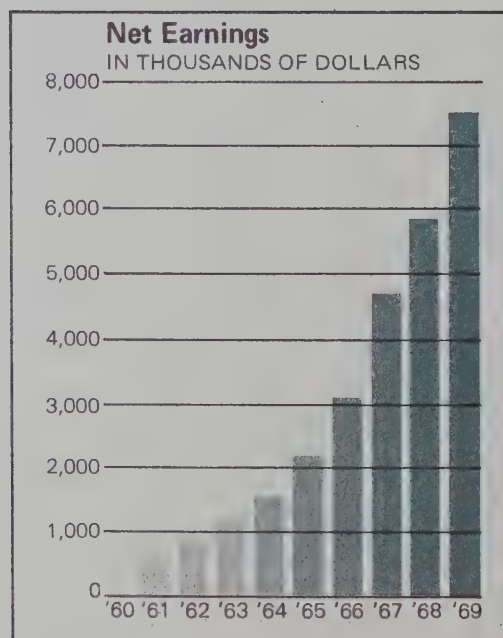
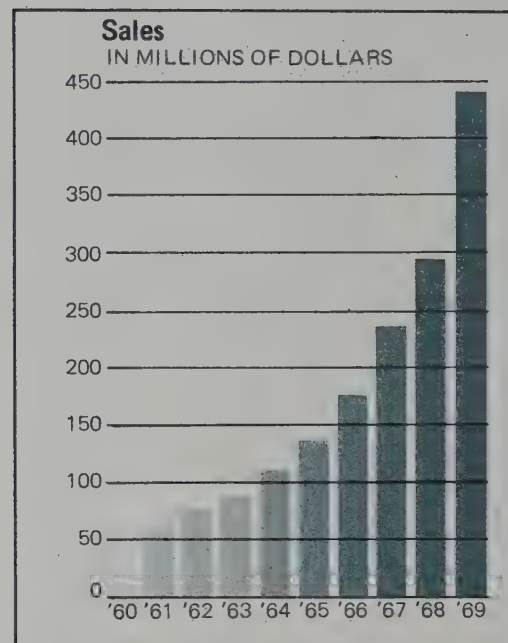
#### NOTE—12 CONTINGENT LIABILITIES

The Company is contingently liable:

- (a) as guarantor of a bank loan in the amount of \$5,000,000 of a company in which it has an ownership interest, and to make available to that company such equity financing as is required to complete the development of a real estate complex in which the Company is a major tenant. Management anticipates that long term debt financing will be obtained by that company to fund the major portion of the estimated development costs of \$11,300,000;
- (b) as guarantor of indebtedness of franchised dealers amounting to \$115,000;
- (c) as guarantor of any losses incurred by a trust. As at January 24, 1970, unrealized losses amounted to \$95,000.

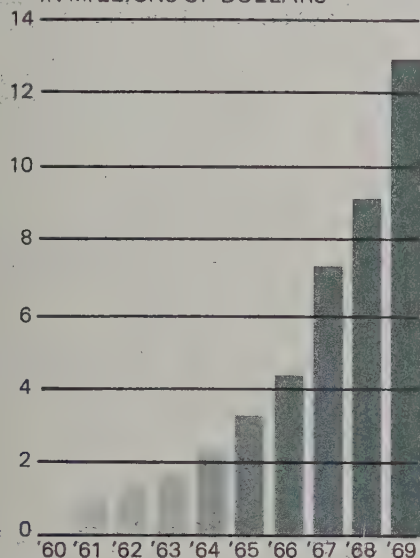
The Company is committed to purchase debentures under certain conditions in the amount of \$600,000 in a company in which it has an ownership interest. Subsequent to the year end, the Company purchased \$450,000 of these debentures.

## TEN YEARS OF GROWTH

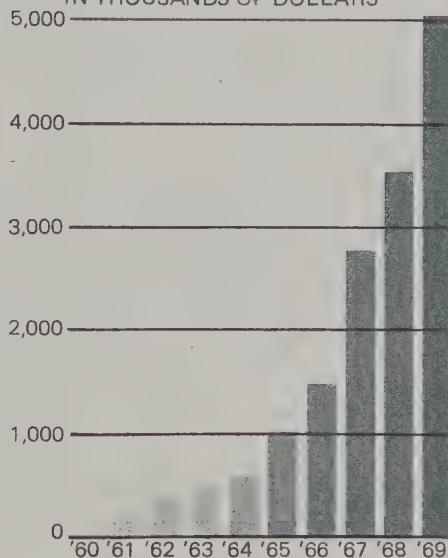




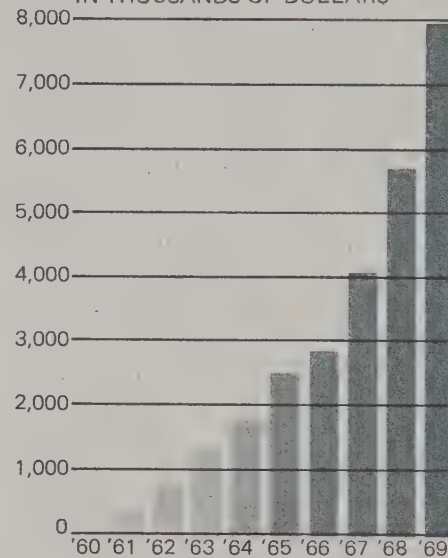
**Cash Flow**  
IN MILLIONS OF DOLLARS



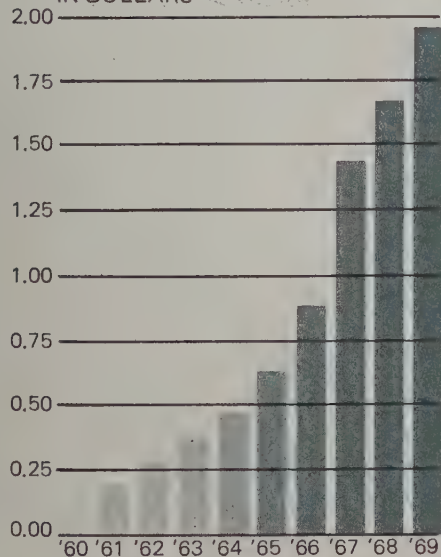
**Depreciation and Amortization**  
IN THOUSANDS OF DOLLARS



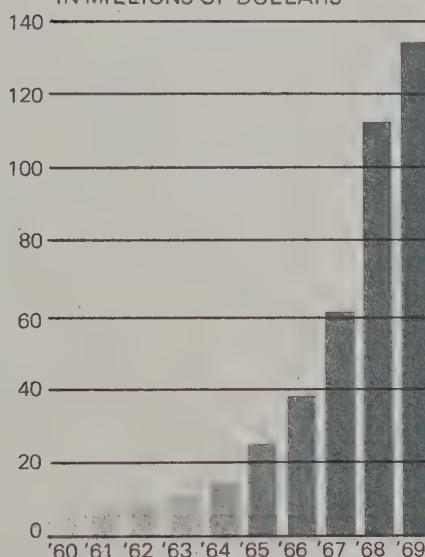
**Income Taxes**  
IN THOUSANDS OF DOLLARS



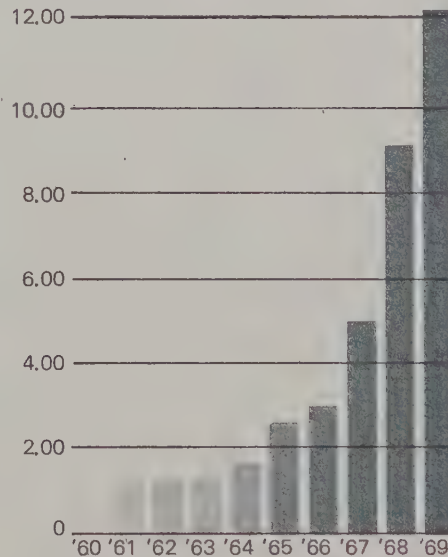
**Cash Flow Per Share**  
IN DOLLARS



**Total Assets**  
IN MILLIONS OF DOLLARS



**Shareholders' Equity Per Share**  
IN DOLLARS



## TEN YEARS OF PROGRESS

(in thousands of dollars except per share data)

Year Ended	Sales		Profit Before Amortization, Depreciation, Income Taxes and Minority Interest	Amortization and Depreciation	Income Taxes	Net Profit
Jan. 24, 1970	\$445,175	(Increase) 49.0%	\$20,508	\$5,061	\$7,926	\$7,508
Jan. 25, 1969 **	298,684	25.8	15,064	3,543	5,709	5,791
Jan. 27, 1968	237,441	31.7	11,633	2,803	4,025	4,760
Jan. 28, 1967 ***	180,313	30.4	7,469	1,505	2,998	2,902
Jan. 22, 1966 ***	138,289	29.4	5,691	1,011	2,487	2,144
Jan. 23, 1965	106,868	20.4	3,936	661	1,698	1,577
Jan. 25, 1964	88,748	20.1	3,025	535	1,303	1,187
Jan. 26, 1963	73,881	25.1	2,155	421	853	881
Jan. 27, 1962	59,069	18.0	1,387	258	446	683
Jan. 28, 1961	50,049	14.3	975	226	301	448

Year Ended	Shares*†	Shareholders' Equity	Shareholders' Equity Per Share*†	High—Low Stock Price	Total Assets
Jan. 24, 1970	6,942,502	\$84,330	\$12.15	36¾—22	\$134,874
Jan. 25, 1969 **	5,609,276	51,770	9.23	45¾—27¼	92,413
Jan. 27, 1968	5,226,648	25,478	4.87	32¼—12¾	61,673
Jan. 28, 1967	4,877,247	14,020	2.87	15¼—11	38,891
Jan. 22, 1966	4,686,344	10,932	2.33	15 — 8½	25,412
Jan. 23, 1965	4,608,977	7,609	1.65	9¾— 5	16,281
Jan. 25, 1964	4,537,326	6,097	1.34	5½— 3¾	12,575
Jan. 26, 1963	4,472,137	5,260	1.18	4¾— 2½	10,636
Jan. 27, 1962	4,336,967	4,513	1.04	4¼— 1	8,897
Jan. 28, 1961	4,181,051	3,712	.89	1½— ⅞	7,262

\*Combined Class "A" and Common. †Figures for previous years have been adjusted for the two-for-one stock splits of June 9, 1964; October 21, 1966; and October 11, 1967. Net Profit Per Share, Cash Flow Per Share, and Shareholders' Equity Per Share have been calculated on the average number of shares outstanding.



	Net Profit Per Share*†		Net Profit as a Percentage of Sales	Cash Flow	Cash Flow Per Share*†	Total Dividends	Dividends Per Share*	Reinvested in Business
(Increase) 29.7%	108.1¢	(Increase) 4.7%	1.69	\$13,198	\$1.90	\$1,528	22.0¢	\$5,980
21.7	103.2	13.3	1.94	9,369	1.67	1,020	18.0	4,771
64.0	91.1	53.1	2.00	7,591	1.45	690	13.0	4,070
35.4	59.5	30.2	1.61	4,342	.89	490	10.0	2,412
36.0	45.7	33.6	1.55	3,138	.67	426	9.0	1,718
32.8	34.2	30.5	1.48	2,256	.49	289	6.5	1,288
34.8	26.2	33.0	1.34	1,767	.39	229	5.0	958
28.9	19.7	24.7	1.19	1,302	.29	168	3.7	713
52.6	15.8	47.7	1.16	942	.22	165	3.7	518
36.6	10.7	32.1	.89	674	.16	105	2.5	333

Current Assets	Current Liabilities	Working Capital	Current Ratio	Payroll Costs	Number of Regular Employees
\$47,176	\$38,629	\$ 8,547	1.22:1	\$40,794	7,011
40,591	30,804	9,787	1.32:1	27,705	4,791
34,368	23,032	11,336	1.49:1	19,722	3,092
21,084	13,142	7,942	1.60:1	12,051	2,085
12,732	10,704	2,028	1.19:1	8,044	1,654
9,833	7,486	2,347	1.31:1	5,265	1,001
7,549	5,497	2,052	1.37:1	4,239	722
6,142	5,058	1,084	1.20:1	3,347	620
5,348	3,903	1,445	1.37:1	2,607	549
4,832	2,944	1,888	1.64:1	2,195	434

shares outstanding during the year rather than on the shares outstanding at the end of the year.

Restated to reflect consolidation of Graham Food Products, Limited. \*\*\*Figures for 1966 and 1967 have been restated to reflect income tax adjustments.

THE OSHAWA WHOLESALE LIMITED AND SUBSIDIARY COMPANIES

# DISTRIBUTION OF INCOME

for the year ended January 24, 1970



Total Sales \$445,175,000.00



Cost of Merchandising \$363,680,000.00



Paid to Employees \$ 40,794,000.00



Cost of Operation \$ 25,267,000.00



Income Tax \$ 7,926,000.00



Re-invested \$ 5,980,000.00



Paid to Shareholder \$ 1,528,000.00



## OSHAWA DIVISIONS

### RETAIL FOOD GROUP

In ten years, Oshawa has grown from an IGA wholesaler serving 120 IGA markets in southern Ontario to one of Canada's major suppliers of food through 467 retail outlets in Ontario, Quebec, and the Maritime Provinces. At year end, these comprised 241 IGA franchise markets, 121 contract stores, 99 corporate food markets and six Cash & Carry warehouses.

These outlets are served by four modern distribution centres with combined warehouse space in excess of 700,000 square feet and a transportation fleet of 300 trucks.

The Ontario Food Division supplies 142 IGA dealer stores and 66 contract stores, and operates

30 Food City markets and nine IGA units. IGA and Food City stores continued to achieve higher sales and an increased share of the market in 1969.

As important new customer services, this division now operates bakeries in 22 Food City markets and "deli" departments in 24. These cater to the specific tastes of shoppers living in their trading areas and are attracting many new and loyal customers.

Growth of the Ontario Food Division has created many new job opportunities. In most cases, these promotions have been filled from within. An improved program of manpower development was implemented during the year to provide employees

*Bright, modern decor and spacious aisles make Food City shopping a pleasant experience.*





with increased job skills and deeper insight into group dynamics and the effect of behavior on others.

The Ontario Food Division is contributing to the campaign against air pollution by replacing all incinerators with refuse compactor units in Company-owned food markets. The effectiveness of a suitable compactor unit for medium-sized and smaller IGA markets is being investigated.

**Quebec Food Division** emphasis in 1969 centred on strengthening its franchise operations. The independent merchant enjoys a high market share in Quebec and there is considerable scope for expanding the IGA dealer program. Since joining the Oshawa group, Shop & Save (1957) Ltd. has adopted the policy of making company-owned retail stores available to IGA dealers and 15 to 20 of these are expected to be sold to dealers during 1970.

Last year Shop & Save opened the first MiniPrix discount food market. Four new units were opened in 1969, two are scheduled for 1970 and several sites selected for future expansion.

A new service for Shop & Save outlets will begin this summer with the opening of a frozen food warehouse at the Montreal North distribution centre, bringing under company control another important facet of food retailing.

Growing consumer acceptance of Shop & Save's "Bonne Table" delicatessen products has required expansion of production facilities and product lines. Studies are underway to determine the feasibility of marketing these products through Oshawa's Ontario and Maritimes outlets.

**Maritime Food Division's** market share continued to increase in 1969, reflecting a major program of renovation which involved the upgrading of 20 IGA units in the past 30 months. Two new dealer units were opened in the Halifax area during the year.

Bolands Limited continues to earn recognition as a leading supporter of Maritimes advancement. Oshawa records its appreciation of senior management's role in promoting civic and athletic endeavors and in helping to attract new industry and commerce to this part of Canada.



*One of 300 Oshawa distribution vehicles.*



*MiniPrix discount food market in Montreal.*



*Shop & Save Montreal head office and distribution centre.*



## WHOLESALE AND INSTITUTIONAL FOOD GROUP

The Ontario Produce Company Limited imports of new varieties of fruit and vegetables have increased steadily to satisfy the growing diversity of consumer tastes. Greater availability of cargo aircraft facilitates shipment of produce from new areas and O.P.'s buyers are expanding trade relationships in Europe, Latin America and Australia.

Bulk container shipping has helped expand export trade, particularly to the United Kingdom. Record overseas exports of onions and increased sales to the Maritimes more than offset a drop in 1969 shipments to United States' markets. Packaging efficiency was improved by installation in the Bradford plant of an automated electronic onion line, the first in the Holland Marsh growing area.

**Hickeson-Langs Supply Company**—In 1969, frozen food and dry grocery services to institutional customers were integrated, thereby improving customer service while eliminating duplicated selling costs. To accommodate steadily increasing volume, extensive warehouse changes are now underway.

*Carrot packaging line in Ontario Produce Holland Marsh plant.*



*Barbados setting for a glass of juice distributed through Oshawa Trading.*



## GENERAL MERCHANDISE GROUP

Allied Towers Merchants Limited operated 28 Towers Discount Department Stores in Ontario and Quebec at year end, two of which were opened during the year. The first unit in the Atlantic Provinces will be opened in May, 1970 at New Minas in the Annapolis Valley.

Towers' Montreal distribution centre installed a unique semi-automated monorail system for processing women's apparel with push-button precision from receiving through checking, ticketing and store allocation to delivery van. At the Queensway distribution centre in Toronto, a pilot warehousing program for Towers' housewares and hardware requirements will be operational by midsummer.

Rockower of Canada Limited, which operates the men's and boys' wear departments in the 28 Towers stores, assumed responsibility in 1969 for infants' and children's wear in 22



*Automated monorail system processes women's clothing with push-button precision in Towers Montreal Distribution Centre.*

*Entrances to Towers and Food City as seen looking across the tobacco shop in mall of Oakville shopping complex.*







units..Staff was fully integrated and a program initiated for the manufacture of private label brands similar to that which has earned broad public acceptance in men's and boys' wear.

Rockower's subsidiary, Tarud Hosiery Mills Limited, operated at capacity in 1969. Additional equipment has been installed and production area doubled to increase capacity and provide additional product lines.

*Rockower shipment from the orient arrives in Vancouver.*



*Courtesy Leimar Forwarding Co., Ltd.*

Kent Drugs Limited operates 28 pharmacies, two of which opened last year. The company's chain of Stripe health and beauty aids stores nearly doubled in 1969, growing from 11 to 20. The 21st unit opened in Alliston, Ontario, in February, and the 22nd, which includes a pharmacy is scheduled to open in May in Smiths Falls, Ontario. The company's first Drug City will open in Cooksville, Ontario in June, the forerunner of a chain of large supermarket-type drug marts.

*Stripe pharmacy and health and beauty aid shop in Orillia, Ontario.*







*Coin laundry operated by Coinamatic division near Nuremberg, West Germany.*



*Coin laundry off Carnaby Street in London, England, equipped by Coinamatic.*

## INTERNATIONAL

**Coinamatic Laundry Equipment Limited** operates coin laundries in the United Kingdom and West Germany, and coin laundry equipment in apartment installations. Coinamatic has equipped more than 1,000 independently-owned coin laundries. Additional activities include equipment service and the sale of spare parts, detergents, bleaches, poly bags, and many related items.

Company headquarters is in London, with branch offices in Birmingham, Manchester, Exeter, Glasgow and Erlangen, Germany.

Oshawa is pleased to record that for his "contribution to the growth and prestige of the coinamatic

industry", Robin H. Phillips, Managing Director of Coinamatic, last year was voted the Coinamatic Age Hall of Fame Award, highest international merit recognition in the industry.

**Oshawa Trading Limited**, which sells juice concentrate programs and leases juice dispensers, commenced distribution of Hawaiian Punch in 1969. By year end, half the company's 500 outlets in the Caribbean Islands and Bermuda had contracted for this popular new product. Further expansion and record sales are anticipated in the current year.



## DIRECTORS

Maurice Wolfe  
Honorary Co-Chairman  
of the Board  
Max Wolfe  
Honorary Co-Chairman  
of the Board  
William L. Atkinson  
Murray C. Goldman  
Albert Shifrin, Q.C.  
Harvey S. Wolfe  
Jack B. Wolfe  
Leonard Wolfe  
Ray D. Wolfe

## CORPORATE MANAGEMENT

Ray D. Wolfe,  
President  
Paul Manovitz,  
Executive Assistant  
Sam Crystal,  
Director of Public Relations  
Bernard C. Kurtz,  
Director of Corporate Planning  
Eugene H. Zimmerman,  
Director of Legal Services  
William L. Atkinson  
Vice-President, Finance  
Leif Christensen  
Corporate Controller  
Saul Cooper,  
Director of Information Services  
Murray C. Goldman, Treasurer  
William Sherman,  
Senior Vice-President, Retailing  
Harvey S. Wolfe,  
Vice-President, Development  
Jack B. Wolfe,  
Group Vice-President,  
Wholesale and Institutional Food  
Leonard Wolfe,  
Executive Vice-President,  
Corporate Services, and Secretary  
Norman J. Pentecost,  
Vice-President, Personnel  
Adam Silverberg,  
Vice-President, Distribution  
William Lloyd,  
Director of Security

## DIVISIONS

Allied Towers Merchants Limited  
Jack Genser, Vice-President  
and General Manager  
Stanley Lipson,  
Vice-President, Merchandising  
Alex Kennedy, Vice-President,  
Sales and Operations  
Bolands Limited  
Mead K. Smith, President  
Robert D. Thomson, Executive  
Vice-President and Secretary  
Coinamatic Laundry Equipment  
Limited  
Robin H. Phillips,  
Managing Director  
Comserve Division  
James H. Finch,  
General Manager  
Dispenser Division  
J. Alan Jack, General Manager  
Dominion Mushroom Company  
Limited  
Nicholas Pora, General Manager  
E. W. Hickeson & Co., Limited  
Charles Davies, General Manager  
Kent Drugs Limited  
Charles Kent, President  
Langs Foods Limited  
William Holman,  
General Manager  
Linen Services Division  
Samuel Levine,  
General Manager  
The Ontario Produce Company  
Limited  
Harry Russell, General Manager  
The Oshawa Wholesale Limited,  
Ontario Food Division  
Vern T. Barber, Vice-President  
and General Manager  
Douglas F. Holland,  
Vice-President, Franchise Stores  
Vernon G. Jantzi, Vice-President,  
Corporate Stores  
Allister P. Graham,  
General Sales Manager  
Restaurant Division  
Nelson Seltzer, Vice-President  
and General Manager  
Rockower of Canada Limited  
Harold Hertzman, President  
Arnold Naiman,  
Executive Vice-President  
Morris Schwartz,  
Secretary-Treasurer  
Shop & Save (1957) Ltd.  
Frank A. Juno, President  
Guy Hudon, Executive  
Vice-President and  
General Manager  
Sydney Lesser, Vice-President,  
Retail Operations

## REGISTRAR AND TRANSFER AGENT

The Canada Trust Company,  
Toronto, Montreal, Calgary,  
Vancouver and Regina

## AUDITORS

Wm. Eisenberg & Co., Toronto

## BANKERS

Canadian Imperial Bank of  
Commerce  
Toronto-Dominion Bank  
Bank of Montreal  
Bank of Nova Scotia

## LISTED ON

Toronto Stock Exchange  
Montreal Stock Exchange

## HEAD OFFICE

125 The Queensway,  
Toronto 18, Canada



## OPERATIONS



### ONTARIO

- 151 IGA Food Markets
- 30 Food City Markets
- 24 Towers Discount Department Stores
- 20 Stripe Discount Health and Beauty Aid Stores
- 2 Food Distribution Centres
- 5 Institutional Food Distribution Centres
- 3 Public Storage Plants
- 1 Produce Packaging Plant
- 1 Mushroom Farm

### QUEBEC

- 109 IGA Food, Markets
- 5 MiniPrix Food Markets
- 4 Towers Discount Department Stores
- 6 Cash and Carry Warehouses
- 1 Food Distribution Centre
- 1 General Merchandise Warehouse

### MARITIMES

- 43 IGA Food Markets
- 2 M & M Stores
- 1 Food Distribution Centre

### INTERNATIONAL

Coinamatic Laundry  
Equipment Limited—U.K.  
Oshawa Trading Limited—  
Caribbean Islands



## SUBSIDIARIES

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Allied Towers Merchants Limited

Kent Drugs Limited

Rockower of Canada Limited

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Bolands Limited

Shop & Save (1957) Ltd.

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Coinamatic Laundry Equipment Limited

---

Langs Foods Limited

E. W. Hickeson & Co. Limited

---

The Ontario Produce Company Limited

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Oshawa Properties Limited

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Oshawa Trading Limited

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